KNYSNA ECONOMIC DEVELOPMENT AGENCY
MUNICIPAL ENTITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2013

KNYSNA ECONOMIC DEVELOPMENT AGENCY

Index

Contents	*Page*

KNYSNA ECONOMIC DEVELOPMENT AGENCY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GENERAL INFORMATION

NATURE OF BUSINESS

KNYSNA ECONOMIC DEVELOPMENT AGENCY is a municipal entity with the aim to stimulate economic growth in Knysna

COUNTRY OF ORIGIN AND LEGAL FORM

South African State Owned Company incorporated in terms of the Companies Act (Act 71 of 2008)

COMPANY REGISTRATION NUMBER

2009/013144/07

REGISTERED NAME

AMARAKA INVESTMENTS NO 64 SOC LTD

The change from (Pty) to SOC was due to the new designation of State Owned Company in the Companies Act

SHAREHOLDER

Knysna Municipality

CHIEF EXECUTIVE OFFICER

The company does not have a chief executive officer since it has ceased trading and is in the process of deregistration.

REGISTERED OFFICE

Woodmill Lane Leisure Shopping Centre
Shop 8
Main Street
Knysna
6570

AUDITORS

Office of the Auditor General (Western Cape)

PRINCIPLE BANKERS

ABSA Bank, Knysna

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
The Income Tax Act
Value Added Tax Act
Municipal Systems Act (Act no 32 of 2000)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Companies Act (Act no 71 of 2008)

KNYSNA ECONOMIC DEVELOPMENT AGENCY

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 2008 as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and the Companies Act of South Africa, 2008 as amended, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The company has ceased operations and is in the process of deregistration with the CIPC. The company is therefore not a going concern.

The external auditors are responsible for independently providing reasonable assurance by reviewing and reporting on the company's annual financial statements.

The annual financial statements set out on pages 6 to 37, which have been prepared on a discontinued basis, were approved by the board on 29 August 2013 and were signed on its behalf by:

29/8/13
Date

29 · 8 · 13
Date

KNYSNA ECONOMIC DEVELOPMENT AGENCY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

DIRECTORS' REPORT

The directors submit their report for the year ended 30 June 2013.

1 Main business and operations

The main objectives of the Entity are to stimulate economic growth in the Knysna area through promotion of entrepreneurial activity, leveraging of business development support and facilitation of investment into strategic economic sectors and spatial nodes.

2 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to discontinued operations. The company has ceased trading and is in the process of deregistration with the CIPC

3 Post balance sheet events

None

4 Dividends

No dividends were declared or paid to shareholders during the year.

5 Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality	Appointment date	Resignation date
DJ Block	RSA	31/03/2010	
M R Moos	RSA	31/03/2010	

6 Holding entity

The company's holding entity is Knysna Municipality, that owns 100% of the issued shares.

7 Auditors

Office of the Auditor General (Western Cape) will continue in office in accordance with the MFMA.

8 Current Activities

The company started winding down procedures.

9 Future activities and prospects

The company is planning to wind up the entity in terms of the companies act.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

(Discontinued operations)	Notes	2013 R (Actual)	2012 R (Actual)
NET ASSETS AND LIABILITIES			
Net Assets		**-**	**503 867**
Share Capital	**2**	-	1 000
Contributions From Owner	**3**	-	2 270 738
Accumulated Surplus/(Deficit)		-	(1 767 871)
Current Liabilities		**-**	**1 690 651**
Unspent Conditional Government Grants and Receipts	**4**	-	1 673 456
Operating Lease Liability	**8**	-	17 195
Total Net Assets and Liabilities		**-**	**2 194 518**
ASSETS			
Non-Current Assets		**-**	**52 176**
Property, Plant and Equipment	**6**	-	52 176
Current Assets		**-**	**2 142 342**
Receivables from non-exchange transactions	**7**	-	210 197
Taxes	**5**	-	4 212
Cash and Cash Equivalents	**9**	-	1 927 933
Total Assets		**-**	**2 194 518**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

(Discontinued operations)	Notes	2013 (Actual) R	2012 (Actual) R
REVENUE			
Revenue from Non-exchange Transactions		**1 826 192**	**345 653**
Transfer Revenue		**-**	**345 653**
Government Grants and Subsidies - Capital	**10**	-	-
Government Grants and Subsidies - Operating	**10**	-	345 653
Other Revenue		**1 826 192**	**-**
Reversal of operating lease liability		17 195	-
Application of owners contribution		1 808 997	-
Revenue from Exchange Transactions		**-**	**52 205**
Interest Earned - external investments		-	52 205
Total Revenue		**1 826 192**	**397 858**
EXPENDITURE			
Employee related costs	**11**	-	316 123
Remuneration of Directors	**12**	-	-
Depreciation and Amortisation	**13**	5 519	9 686
Grants and Subsidies	**14**	46 657	-
General Expenses	**15**	6 145	582 110
Total Expenditure		**58 321**	**907 919**
Net profit / (loss) before taxation		1 767 871	(510 061)
Taxes	**16**	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		**1 767 871**	**(510 061)**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Share Capital	Contribution from owners	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2011	**1 000**	**1 731 427**	**(1 257 810)**	**474 617**
Contribution from owners	**-**	539 311	**-**	**539 311**
Net Deficit for the year as previously shown	-	-	(510 061)	(510 061)
Restated Balance at 30 JUNE 2012	**1 000**	**2 270 738**	**(1 767 871)**	**503 867**
Contribution from owners	(1 000)	(2 270 738)	-	(2 271 738)
Net Surplus for the year	-	-	1 767 871	1 767 871
Balance at 30 JUNE 2013	**-**	**-**	**-**	**-**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	30 JUNE 2013 R	30 JUNE 2012 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Interest		-	52 205
Payments			
Suppliers and employees		(1 933)	(883 395)
Cash generated by operations	**17**	(1 933)	(831 190)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**6**	-	-
Net Cash from Investing Activities		**-**	**-**
CASH FLOW FROM FINANCING ACTIVITIES			
Owners contribution	**18.2**	(1 926 000)	539 312
Net Cash from Financing Activities		**(1 926 000)**	**539 312**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1 927 933)**	**(291 878)**
Cash and Cash Equivalents at the beginning of the year		1 927 933	2 219 811
Cash and Cash Equivalents at the end of the year	**19**	-	1 927 933
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(1 927 933)**	**(291 878)**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance IFRS as required by the Companies Act.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP or IFRS.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24, however the Entity did not budget for the year as it was resolved to discontinue business. Due to the fact the fact that the entity is in the process of deregistration management concluded that applying GRAP 24 would be misleading.

Non-application will have no financial effect on the financial statements but in order to comply with the requirements of the Municipal Finance Management Act, 2003, the expenditure incurred and not budgeted for is classified as unauthorised expenditure.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Company:

Standard	Description	Effective Date
GRAP 6 **(Revised – Nov 2010**	**Consolidated and Separate Financial Statements** The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity. No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.	**Unknown**
GRAP 7 **(Revised – Mar 2012)**	**Investments in Associate** This Standard prescribes the accounting treatment for investments in associates where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets. No significant impact is expected as the Company does have any interest in associates.	**1 April 2013**
GRAP 8 **(Revised – Nov 2010)**	**Interest in Joint Ventures** The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities. No significant impact is expected as the Municipality is not involved in any joint ventures.	**Unknown**
GRAP 18 **(Original – Feb 2011)**	**Segment Reporting** The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	**Unknown**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

GRAP 20 **(Original – June 2011)**	**Related Party Disclosure** The objective of this Standard is to ensure that a Company's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Company resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	**Unknown**
GRAP 105 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 106 **(Original – Nov 2010)**	**Transfer of Functions Between Entities Not Under Common Control** The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
GRAP 107 **(Original – Nov 2010)**	**Mergers** The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	**Unknown**
IGRAP 11	**Consolidation - Special Purpose Entities (SPE)** The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE. No significant impact is expected as the Company does not have any SPE's at this stage.	**Unknown**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

IGRAP 12	**Jointly Controlled Entities non-monetary contributions** The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Company does not have any JCE's at this stage.	**Unknown**

These standards, amendments and interpretations will not have a significant impact on the Company once implemented.

1.8. LEASES

1.8.1 Company as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Company. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Company uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Company shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Company until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Company's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Company has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Company has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Company for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). It the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Company expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.11.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Company replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.11.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation

method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years
<u>Other</u>	
Furniture and fittings	4-10
Computer equipment	3

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.11.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.12.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.12.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.13. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions).

1.13.1 Initial Recognition

Financial instruments are initially recognised when the Company becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.13.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.13.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

default or delinquency in payments (more than 90 days overdue). If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.13.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.13.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Company categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13.3 De-recognition of Financial Instruments

1.13.3.1 *Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a

cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.13.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.13.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.14. REVENUE

1.14.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Company received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Company. Where public contributions have been received but the Company has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Company.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Company recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.14.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Company directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Company does not successfully enforce its obligation to collect the revenue, this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Dividends are recognised on the date that the Company becomes entitled to receive the dividend.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.15. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. The Company operates in an economic environment currently denominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors of the company
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Chief Executive Officer.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Company or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Company's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.20. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Company's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Company referred to buildings in other municipal areas to determine the useful life of buildings. The Company also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.14.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.14.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Company.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Company, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Company is satisfied that recognition of the revenue in the current year is appropriate.

1.21. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.22. CURRENT AND DEFERRED TAXATION

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is determined using tax laws and rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, and tax losses carried forward.

Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

1.23. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
	All amounts relate to discontinued operations	**R**	**R**
2	**SHARE CAPITAL**		
	Ordinary shares	-	1 000
	Total share capital	**-**	**1 000**
	Authorised - 1000 of shares of no par value	-	1 000
	Issued - 1000 shares at R1 each	-	(1 000)
	Number of shares available for issue	**-**	**-**
3	**CONTRIBUTIONS FROM OWNER**		
	Opening balance	2 270 738	1 731 427
	Contributions for the year	(2 270 738)	539 311
	Total contribution	**-**	**2 270 738**
4	**UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**		
	Unspent Grants	-	1 673 456
	Other Grant Providers	-	1 673 456
	Total Conditional Grants and Receipts	**-**	**1 673 456**
5	**TAXES**		
	Net vat receivable / (payable)	-	4 212

VAT is receivable/payable on the invoice basis

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2013

Reconciliation of Carrying Value	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Other Assets	**67 185**	**-**	**-67 185**	**-**	**15 009**	**5 519**	**(20 528)**	**-**	**-**
Furniture & Fittings	54 789	-	(54 789)	-	10 285	3 172	(13 457)	-	-
Computer equipment	12 396	-	(12 396)	-	4 724	2 347	(7 071)	-	-
	67 185	**-**	**-67 185**	**-**	**15 009**	**5 519**	**(20 528)**	**-**	**-**

30 JUNE 2012

Reconciliation of Carrying Value	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Other Assets	**67 185**	**-**	**-**	**67 185**	**5 323**	**9 686**	**-**	**15 009**	**52 176**
Furniture & Fittings	54 789	-	-	54 789	4 735	5 550	-	10 285	44 504
Computer equipment	12 396	-	-	12 396	588	4 136	-	4 724	7 672
	67 185	**-**	**-**	**67 185**	**5 323**	**9 686**	**-**	**15 009**	**52 176**

6 Assets pledged as security:

No assets are pledged as security

	2013 R	2012 R
7 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Knysna Municipality	-	210 197
Less: Allowance for Doubtful Debts	-	-
Total Net Receivables from Non-Exchange Transactions	**-**	**210 197**

(Knysna Municipality): Ageing

	2013	2012
Current (0 - 30 days)	-	210 197
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	**-**	**210 197**

Concentrations of credit risk with respect to receivables are limited due to the fact that the only debtor is Knysna Municipality.

8 OPERATING LEASE ARRANGEMENTS

The company as Lessee (Liability)

	2013	2012
Balance on 1 July	17 195	18 221
Movement during the year	(17 195)	(1 026)
Balance on 30 June	-	17 195

At the Statement of Financial Position date, where the company acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

	2013	2012
Up to 1 Year	-	222 366
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**-**	**222 366**

Operating leases consisted of an agreement with Mellville Development Company (Pty) Ltd for the rental of the offices.

9 CASH AND CASH EQUIVALENTS

	2013	2012
Assets		
Bank Accounts	-	1 927 344
Cash Floats	-	589
Total Cash and Cash Equivalents - Assets	**-**	**1 927 933**

Current Accounts

	2013	2012
Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):	-	1 927 344
	-	**1 927 344**

Knysna ABSA - Account Number 407 660 8096 (Primary Bank Account):

	2013	2012
Cash book balance at beginning of year	1 927 344	2 218 550
Cash book balance at end of year	-	1 927 344
Bank statement balance at beginning of year	1 927 344	2 218 550
Bank statement balance at end of year	-	1 927 344

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
10	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Conditional Grants	**-**	**345 653**
	Grants and donations	-	345 653
	Total Government Grants and Subsidies	**-**	**345 653**
	Government Grants and Subsidies - Capital	-	-
	Government Grants and Subsidies - Operating	-	345 653
		-	**345 653**

Revenue recognised per vote as required by Section 123 (2) of the MFMA

	2013	2012
Executive & Council	-	345 653

The company does not expect any future grants to be received due to the winding-up of the company.

10.1 Industrial Development Corporation

	2013	2012
Opening balance	1 673 456	2 019 109
Grants received	-	-
Transferred to Knysna Municipality	(1 673 456)	-
Conditions met - Operating	-	(345 653)
Conditions still to be met	-	1 673 456

Grant provided by the IDC for economic development in the Knysna area to be used as per terms of agreement

Total Grants

	2013	2012
Opening balance	1 673 456	2 019 109
Grants received	-	-
Transferred to Knysna Municipality	(1 673 456)	
Conditions met - Operating	-	(345 653)
Conditions still to be met/(Grant expenditure to be recovered)	**-**	**1 673 456**

Disclosed as follows:

	2013	2012
Unspent Conditional Government Grants and Receipts	-	1 673 456
	-	**1 673 456**

11 EMPLOYEE RELATED COSTS

	2013	2012
Contributions for UIF, pensions and medical aids	-	1 123
Salaries and Wages	-	315 000
Total Employee Related Costs	**-**	**316 123**

KEY MANAGEMENT PERSONNEL

The entity did not appoint a Chief Executive Officer. The coordinator driver was acting as Chief Executive Officer.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Acting Chief Excutive Officer - Ms T Goslett

	2013	2012
Salaries and Wages	-	315 000
Contributions for UIF, pensions and medical aids	-	1 123
Total	**-**	**316 123**

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
12	**REMUNERATION OF DIRECTORS**		
	Fees	-	-
	Total Directors' Remuneration	**-**	**-**
13	**DEPRECIATION AND AMORTISATION**		
	Property Plant and Equipment	5 519	9 686
		5 519	**9 686**
14	**GRANTS AND SUBSIDIES**		
	Donated Property, Plant and Equipment	46 657	-
	Total Grants and Subsidies	**46 657**	**-**

		2013 R	2012 R
15	**GENERAL EXPENSES**		
	Accounting services	-	133 251
	Administrative support	-	113 809
	Bank charges	1 457	3 336
	Computer network	-	25 811
	Content cost	-	9 264
	Office general	4 688	67 499
	Office rental	-	225 289
	Travel & Accommodation	-	3 851
	General Expenses	**6 145**	**582 110**
16	**TAXATION**		
	Current taxation	-	-
	<u>Reconciliation between standard tax rate and actual tax rate</u>		
	Standard tax rate	28%	28%
	Assessed losses utilised	-28%	-28%
	Actual tax rate	-	-

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
17	**RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus/(Deficit) for the year	1 767 871	(510 061)
	Adjustments for:		
	Depreciation	5 519	9 686
	Application of owners contribution	(1 808 997)	-
	Non-cash grant	46 657	
	Grant Expenditure	-	(345 653)
	Operating lease expenses accrued	(17 195)	(1 026)
	Operating Surplus/(Deficit) before changes in working capital	(6 145)	(847 054)
	Changes in working capital	4 212	15 864
	Increase/(Decrease) in Trade and Other Payables	-	(17 948)
	Increase/(Decrease) in Taxes	4 212	(309 187)
	(Increase)/Decrease in Trade and other receivables	-	342 999
	Cash generated/(absorbed) by operations	**(1 933)**	**(831 190)**
18	**NON - CASH TRANSACTIONS**		
18.1	**Disposal of property, plant and equipment**		
	Book value of disposals	46 657	-
	Assets transferred to Southern Most Development Agency	(46 657)	-
	Cash movement	-	-
18.2	**Contributions from owner**		
	Contributions for the year	(2 271 738)	539 311
	Non-cash application	1 808 997	
	IDC Grant paid by Knysna Municipality	(1 673 456)	-
	Knysna Municipality Debtor	210 197	
	Cash movement	(1 926 000)	539 312
19	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Cash Floats - Note 9	-	589
	Bank - Note 9	-	1 927 344
	Total cash and cash equivalents	**-**	**1 927 933**

		2013 R	2012 R
20	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 19	-	1 927 933
	Less:	-	1 673 456
	Unspent Committed Conditional Grants - Note 4	-	1 673 456
	VAT - Note 5	-	-
	Resources available for working capital requirements	**-**	**254 477**

21 BUDGET COMPARISONS

		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
21.1	**Operational**				
	Revenue by source				
	Reversal of operating lease liability	17 195	-	17 195	100%
		17 195	-	17 195	100%
	Expenditure by nature				
	Depreciation and Amortisation	5 519	-	(5 519)	-100%
	Grants and Subsidies	46 657	-	(46 657)	-100%
	General Expenses	6 145	-	(6 145)	-100%
		58 321	-	(58 321)	-100%
	Net Surplus for the year	**(41 126)**	**-**	**(41 126)**	100%

		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
21.2	**Expenditure by Vote**				
	Executive & Council	58 321	-	58 321	100%
		58 321	**-**	**58 321**	**100%**

		2013 R (Actual)	2013 R (Budget)	2013 R (Variance)	2013 (%)
21.3	**Capital expenditure by vote**				
	Executive & Council	-	-	-	-
		-	**-**	**-**	**-**

The Entity did not budget for any expenditure as it was resolved to wind-up the business prior to the year-end.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
22	**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		

22.1 **VAT - [MFMA 125 (1)(b)]**

	2013 R	2012 R
Opening balance	-	(304 974)
Input claimed	4 242	983
Transferred to Knysna Municipality	(4 242)	-
Payments made		303 991
Closing balance - Receivable / (Payable)	**-**	**-**

VAT is payable/receivable on the invoice basis.

22.2 **PAYE, SDL and UIF - [MFMA 125 (1)(b)]**

	2013 R	2012 R
Opening balance	-	14 120
Current year payroll deductions and employer Contributions	-	76 474
Amount paid - current year	-	(90 594)
Balance unpaid (included in creditors)	**-**	**-**

22.3 **Unauthorised expenditure - [MFMA 125 (2)(d)(i)]**

	2013 R	2012 R
Unauthorised expenditure was incurred since there was no budget. No action was taken against any official and the amount has not been written off.	58 321	

22.4 **Fruitless and wasteful expenditure- [MFMA 125 (2)(d)(i)]**

No fruitless and wasteful expenditure was incurred in the current year nor in the prior reporting period.

22.5 **Irregular expenditure- [MFMA 125 (2)(d)(i)]**

No irregular expenditure was incurred in the current year nor in the prior reporting period.

22.6 **Other non-compliance (MFMA 125(2)(e))**

Due to the winding up the company the entity did not comply with the reporting requirements in terms of the MFMA

23 **CAPITAL COMMITMENTS**

No capital commitments has been approved and contracted for.

KNYSNA ECONOMIC DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

24 FINANCIAL RISK MANAGEMENT

The activities of the company exposed it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focused on the unpredictability of financial markets and seeked to minimise potential adverse effects on the company's financial performance.

(a) Foreign Exchange Currency Risk

The company did not engage in foreign currency transactions.

(b) Price risk

The company was not exposed to price risk.

(c) Interest Rate Risk

As the company had significant interest-bearing liabilities, the entity's income and operating cash flows were substantially dependent on changes in market interest rates.

The company analysed its potential exposure to interest rate changes on a continuous basis. Different scenarios were simulated which included refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculated the impact that a change in interest rates would have had on the surplus/deficit for the year. These scenarioswere only simulated for liabilities which constitute the majority of interest bearing liabilities.

The company did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	-	9 637
0.5% (2012 - 0.5%) Decrease in interest rates	-	(9 637)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the company to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

No receivables were pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 7 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposited cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents were considered to be low, the maximum exposure are disclosed below.

	2013 R	2012 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from non-exchange transactions	-	210 197
Cash and Cash Equivalents	-	1 927 933
	-	2 138 130

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity was a result of the funds available to cover future commitments. The entity managedliquidity risk through an ongoing review of future commitments and credit facilities.

			2013 R	2012 R
25	**FINANCIAL INSTRUMENTS**			

In accordance with GRAP 104 the financial instruments of the company are classified as follows:

			2013 R	2012 R
25.1	**Financial Assets**	**Classification**		
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	-	-
	Receivables from non-exchange transactions	Financial instruments at amortised cost	-	210 197
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	-	1 927 344
	Cash Floats and Advances	Financial instruments at amortised cost	-	589
			-	**2 138 130**
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		-	2 138 130
	At amortised cost		**-**	**2 138 130**

FINANCIAL INSTRUMENTS (CONTINUE)

			2013 R	2012 R
25.2	**Financial Liability**	**Classification**		
	Payables from exchange transactions			
	Other	Financial instruments at amortised cost	-	-
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	-	1 673 456
			-	**1 673 456**
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		**-**	**1 673 456**

26 EVENTS AFTER THE REPORTING DATE

The council of the parent resolved to wind-up the company.

27 IN-KIND DONATIONS AND ASSISTANCE

The company received services from its holding entity for no consideration.

28 PRIVATE PUBLIC PARTNERSHIPS

The company has not entered into any private public partnerships during the financial year.

29 CONTINGENT LIABILITY

None

30 RELATED PARTIES

30.1 Related Party Loans

None

30.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 11 to the Annual Financial Statements.

30.3 Other related party transactions

The following purchases were made during the year where key management or staff have an interest:

None

31 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The company has made a loss for the year under review.

The holding municipality has decided to wind-up the company.